

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: <u>01</u> — <u>013</u> —	2. STATE: RI
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE 10-01-01	

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

- NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

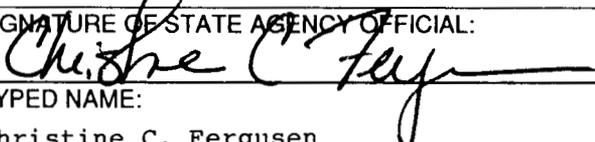
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: Section 1923 of the Social Security Act	7. FEDERAL BUDGET IMPACT: a. FFY 2002 \$ 1,379,706 b. FFY 2003 \$ 1,948,164
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 1 to Attachment 4.19 A, pp.2-4	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Supplement 1 to Attachment 4.19 A, pp.2-4

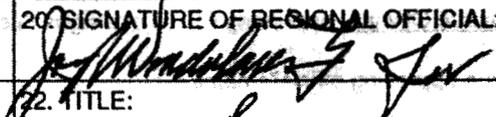
10. SUBJECT OF AMENDMENT:  
Disproportionate Share Hospital Policy

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      See attached letter  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO:  Dorothy Karolyshyn Department of Human Services 600 New London Avenue LP-118, Build.#57 Cranston, Rhode Island 02920
13. TYPED NAME: Christine C. Ferguson	
14. TITLE: Director	
15. DATE SUBMITTED: 09-10-01	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 7-20-01	18. DATE APPROVED: 9-19-01
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 10-1-01	20. SIGNATURE OF REGIONAL OFFICIAL: 
21. TYPED NAME: RONALD PRESTON	22. TITLE: Associate Regional ADM - DMSO

23. REMARKS:

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2. Low income utilization rate means, for a hospital, the sum of--
- A. A fraction (expressed as a percentage), the numerator of which is the sum (for the hospital's fiscal year designated in Section III, 1, F) of the total medical assistance revenues paid the hospital for patient services (regardless of whether the services were furnished on a fee-for-service basis or through a managed care entity), and the amount of the cash subsidies for patient services received directly from State and local governments, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in that period; and
  - B. A fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in the hospital's fiscal year designated in Section III, 1, F, less the portion of any cash subsidies described in subparagraph (A) in that period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in that period.

The numerator under subparagraph (B) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance).

III. Payment Adjustment

- 1. For Federal fiscal year 2002, and for federal fiscal years thereafter, the State shall make payment on or after October 1st to each qualifying facility in accordance with the following formula:
  - A. For all licensed hospitals within the State of Rhode Island that meet or exceed the criteria set forth in section 1923(b) of the Social Security Act, \$1,000 plus the proportional share of \$200,000 inflated each year by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals. That sum shall be distributed among the qualifying facilities in the direct proportion that the utilization rate in each facility exceeds 25 percent.

TN No. 01-013  
Supersedes  
TN No. 01-003

Approval Date: 9-19-01 Effective Date: 10/01/01

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- B. For state operated hospitals which exceed the Medical Assistance inpatient utilization rate by more than one standard deviation, there shall be an additional payment of \$10,000 plus the proportional share of \$9,000,000 inflated each year (by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals). That sum shall be distributed among the qualifying facilities in the direct proportion of the weighted average yielded by the multiplication of the percentage points that the medical assistance utilization rate exceeds one standard deviation unit above the mean, times the total dollars expended for medical assistance care.
- C. For women and infant speciality hospitals licensed within the State of Rhode Island (i.e., hospitals with more than 5,000 births annually and a neo-natal intensive care unit) which exceed the Medical Assistance in-patient utilization rate by more than one standard deviation unit or whose low income utilization exceeds 25%, \$1,000 plus the proportional share of \$2,243,052 inflated each year by uncompensated care index as defined in Rhode Island General Law 40-8.3-2(5). That sum shall be distributed amount the qualifying facilities in direct proportion of the weighted average yielded by the multiplication of the percentage points that the low income utilization rate exceeds 25% times the total dollars expended for low income care
- D. For non-government hospitals licensed within the State of Rhode Island, whose Medicaid inpatient utilization rate exceed 1%, there shall be an additional payment not to exceed \$71 million to compensate hospitals for uncompensated care (as defined below) and shall be paid in an amount equal to the lesser of the hospital's uncompensated care for the hospital's fiscal year or 6.05% of net patient services revenue. Net patient services revenue is defined as the dollar amount of all chargeable services in the hospital's fiscal year specified in Section F, minus the sum of charity care charges, bad debt expenses, and contractual allowances for that fiscal year.
- E. Women and infant specialty hospitals which qualify shall be paid only in accordance with sections A, C and D. Psychiatric hospitals which qualify shall be paid only in accordance with A. State hospitals which qualify shall be paid only in accordance with sections A and B.

TN No. 01-013Approval Date 9-19-01Effective Date 10-01-01

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TN No. 01-003**OFFICIAL**

- F. Uncompensated care is defined as the sum of the cost incurred for inpatient or outpatient services attributable to: 100% of charity care (free care and bad debts per audited financial statements) for which the patient has no health insurance or other third party coverage, less payment received directly from patients; and, costs attributable to Medicaid clients less Medicaid reimbursement.

The utilization rates, costs, and uncompensated care for the most recently completed hospital fiscal year for which data is available (hospital fiscal year 1999) will be utilized to determine each hospital's payment. 1999 uncompensated care costs shall be indexed by the uncompensated care index as defined in Rhode Island General Law 40-8.3-2(5) for each subsequent year to calculate the costs for the year in which payments are made. The total payment will not exceed the state cap, sec. 1923(g).

- G. Rhode Island's share of any national disproportionate share allocation in addition to the amounts authorized under Section III and any undistributed monies from sections A, C, D and I (should no hospitals qualify in those categories) shall be added to section B and distributed by the same proportion and methodology.

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Supersedes  
TN No. 01-003

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DEPARTMENT OF HEALTH & HUMAN SERVICES

**CENTERS FOR MEDICARE  
& MEDICAID SERVICES**

Division of Medicaid & State Operations  
Region I  
JFK Federal Building  
Government Center  
Boston, MA 02203

September 27, 2001

Ms. Christine C. Ferguson  
Director  
Department of Human Services  
Aime Forand Building  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Ferguson:

We are pleased to inform you that Rhode Island State Plan Amendment TN 01-013, which was received by this office on July 20, 2001, is approved for incorporation into the official Rhode Island State Plan.

This amendment, which is effective October 1, 2001, revises Disproportionate Share Hospital Policy. Our review of your submittal was conducted in accordance with the requirements of sections 1902(a)(13) and 1902(a)(30) of the Social Security Act and the implementing Federal regulations.

If you have any further questions, please contact Robert Parris at 617-565-1242.

Sincerely,

A handwritten signature in black ink, which appears to read "Ronald Preston", is written over the typed name.

Ronald Preston,  
Associate Regional Administrator